



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Testimony Insurance and Real Estate Committee March 15, 2016

#### **Senate Bill No. 375 – An Act Authorizing Multistate Health Care Centers in Connecticut and Eliminating a Health Carrier Utilization Review Report Filing Requirement.**

Senator Crisco, Representative Megna, Ranking Members, and members of the Insurance and Real Estate Committee, the Insurance Department would like to thank the Committee for introducing this initiative on our behalf and raising **Senate Bill No. 375 An Act Authorizing Multistate Health Care Centers in Connecticut and Eliminating a Health Carrier Utilization Review Report Filing Requirement**. As described below, SB 375 will upgrade the statutes governing health care centers, also known as health maintenance organizations (HMOs), and it will eliminate an unnecessary utilization review report filing requirement for health carriers.

#### **Multistate Health Care Centers/HMOs (§§ 1 – 17)**

The main thrust of this legislation is to facilitate the ability of HMOs to operate across state lines. This is important for Connecticut's economy and its domestic HMOs because of the way the industry has evolved over the years. Intense competitive pressures have resulted in companies consolidating the operations of their HMOs based in other states within a non-Connecticut legal entity under laws that permit the HMO to conduct business in multiple jurisdictions.

Connecticut's HMO laws have not been revised, as some other states have, to facilitate the conduct of business on a multistate basis. This, coupled with a consistent conservative interpretation of such laws by the Department, has impeded the ability of Connecticut based health care companies to utilize their Connecticut domestic HMOs to serve as a platform for conducting business in multiple jurisdictions and as a vehicle for consolidating the operations of other affiliated HMOs into the Connecticut entity.

The Department is requesting amendments that are reflected in sections 1 through 5 and section 12 to promote this goal. The Legislative Commissioner's Office added sections 6 through 11 and 13 through 17. The Department's proposed changes are summarized in an attachment at the end of this testimony.

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**Utilization Review Reports**  
**(§§ 18 – 20)**

The second part of S.B. 375 reflects the goal to improve efficiency by repealing the existing statutory requirement that health insurers complete an annual utilization review survey. The Insurance Department currently receives this utilization review data from health insurance carriers as part of the Department's Life and Health Division's annual managed care filings required by Conn. Gen. Stat. §38a-478c. The utilization review data collected as part of the annual managed care filings is published in the annual Consumer Report Card on Health Insurance Carriers in Connecticut. Since the data requirement in §38a-591b is duplicative, it is no longer needed. The changes will lead to greater administrative efficiencies within the Department. The proposed changes are summarized in the attachment.

The Insurance Department thanks the Insurance and Real Estate Committee for the opportunity to submit testimony in support of S.B. 375. The Department respectfully requests the Committee to give a favorable substitute report to S.B. 375.

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**Proposed Amendments  
Senate Bill No. 375 (Raised)  
(LCO No. 2011)**

**Summary**

**Multistate Health Care Centers/HMOs  
(§§ 1 – 17)**

Sec. 1. – Conn. Gen. Stat. § 38a-175 definition of health care center is amended to reference an organization governed by the HMO statutes (sections 38a-175 to 38a-192) that is licensed or authorized by the Commissioner as a health care center. The current definition of a health care center references an organization that is organized under the laws of this state to carry out the activities and purposes of a health care center.

Sec. 2. – Conn. Gen. Stat. § 38a-178 is amended to reflect that a Connecticut health care center may be conducting business in jurisdictions outside of Connecticut.

Sec. 3. – Conn. Gen. Stat. § 38a-179, concerning the management of a health care center and board of directors is amended to expressly limit its application to health care centers organized under the laws of this state.

Sec. 4. – Conn. Gen. Stat. § 38a-186, concerning disposition of property on termination, stock transactions and mergers, is amended to limit its provisions to health care centers organized under the laws of this state and replace language dealing with filing, review and approval of changes of control of a health care center with language referencing compliance with the provisions of the Insurance Holding Company Act section 38a-130.

Sec. 5 - Conn. Gen. Stat. § 38a-188, concerning applicability of certain insurance statutes to health care centers, is amended to add a reference to Conn. Gen. Stat. § 38a-58a governing the procedure for a transfer of domicile, so that its provisions may apply to health care centers.

Sec. 6 - Conn. Gen. Stat. § 12-201(9), definition of “direct subscriber charges” for purposes of the health care center tax on net direct subscriber charges, is changed to refer only to “domestic” health care centers. *[Comment: The Insurance Department proposal contemplated no distinction in the taxation of net subscriber charges with respect to domestic or foreign health care centers. Accordingly, the Department requests the removal of this section from Raised Bill 375, or if that is not possible, that in line 243 of Raised Bill 375, the word “domestic” be deleted. See also comment to Sec. 7.]*

Sec. 7 - Conn. Gen. Stat. § 12-202a(a), concerning the 1.75% tax on net direct subscriber charges of health care centers, is amended to be limited to only “domestic” health care centers. *[Comment: The Insurance Department requests that in line 250 of Raised Bill 375, the word “domestic” be deleted so that all health care centers doing business in the state are similarly taxed.]*

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Sec. 8 - Conn. Gen. Stat. § 12-217t, concerning tax credit for personal property taxes paid on electronic data processing equipment, changes references to "health care center" in subsections (c) and (e) to "domestic health care centers". *[Comment: The Insurance Department requests the removal of this section from Raised Bill 375 in light of the comments pertaining to sections 6-7.]*

Sec. 9 and 10 - Conn. Gen. Stat. § 19a-7j(b)(2)(A) and Conn. Gen. Stat. § 19a-7p(b)(2), make a technical changes adding the word "domestic" with respect to the provision imposing a health and welfare fee upon domestic insurers and health care centers.

Sec. 11 - Conn. Gen. Stat. § 38a-14(h), makes technical changes to the financial examination statute to add reference to a domestic health care center.

Sec. 12 - Conn. Gen. Stat. § 38a-43 makes technical changes to licensure reciprocity statute to add references to a domestic health care center.

Sec. 13. - Conn. Gen. Stat. § 38a-52 makes a technical change to the statute governing appeals of assessments imposed upon domestic entities to add the word "domestic" with respect to domestic health care center.

Sec. 14. - Conn. Gen. Stat. § 38a-53 makes technical changes to the statute governing filing of annual reports by adding the word "domestic" with respect to domestic health care center. *[Comment: The Insurance Department requests that in line 405 of Raised Bill 375, after the word "company" the following words be inserted: "or foreign health care center".]*

Sec. 15. - Conn. Gen. Stat. § 38a-54(a) makes technical changes to the statute governing filing of audited financial reports by adding the word "domestic" with respect to existing references to health care center and fraternal benefit society. *[Comment: The Insurance Department notes that it would be appropriate to amend Conn. Gen. Stat. § 38a-54(b) to expressly reference foreign health care centers doing business in this state.]*

Sec. 16. - Conn. Gen. Stat. § 38a-55 makes technical changes to the statute governing hypothecation of assets by adding the word "domestic" with respect to existing references to health care center and fraternal benefit society.

Sec. 17 – Conn. Gen. Stat. § 38a-59 makes technical changes to the statute governing amendments to the certificate of incorporation of a domestic insurance company and health care center by adding the word "domestic" with respect to existing references to health care center.

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## **Utilization Review Reports (§§ 18 – 20)**

Sec. 18 – Subsection (e) of Conn. Gen. Stat. §§ 38a-591b is deleted. It requires each health care center to file with the Insurance Commissioner on or before March 1 annually a report of its utilization review program activities for the preceding calendar year and requires of the grievances it received.

Sec. 19 - Conn. Gen. Stat. §§ 38a-591e(a)(3) concerns annual filing of a certificate of compliance stating that the health care center has established and maintains grievance procedures for each of its health plans that are fully compliant with the statutes governing grievances and external appeals. This subdivision is amended to delete the reference to Conn. Gen. Stat. §§ 38a-591b(e) which is deleted in Sec. 18 of the bill and in lieu thereof, adds a provision that the information to be filed will be in a form prescribed by the Commissioner.

Sec. 20 - Conn. Gen. Stat. §§ 38a-591h, concerning record-keeping requirements of all grievances and adverse determinations, is amended to delete subsection (c) which requires each health care center to submit the annual report, in accordance with Conn. Gen. Stat. §§ 38a-591b, of grievances it received. This amendment is due to effect of Sec. 18 of this bill.

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